

	\$'000	\$'000
Fixed assets		
Premises	1 500	
Machinery and equipment	500	
	<hr/>	
	2 000	
Current assets		
Cash	250	
Debtors	30	
Stocks	200	
	<hr/>	
	480	
Current liabilities		
Short-term loans	15	
Trade creditors	250	
Taxation	35	
Dividends	20	
	<hr/>	
	320	
Net current assets (working capital)		160
Total assets less current liabilities		2 160
Long-term liabilities		
Mortgage	500	
Debentures	500	
Bank loans	100	
	<hr/>	
	1 100	
Net assets		1 060
Financed by:		
Ordinary share capital (1 m shares at \$1 per share)	1 000	
Retained profit	60	
	<hr/>	
	1 060	

Figure 3.4.f Balance sheet for Nicole San Restaurants Ltd

Equity (or *shareholders' funds* refers to the sum of money that belongs to the owners of the restaurant, i.e. the owners' equity. It is equal to share capital plus reserves (retained profits).

This section shows the capital and reserves of the business, i.e. the money that belongs to its owners. Here, 1 million shares were issued at \$1 each, raising \$1 m for the restaurant (note that this is not the current market price of the shares). Retained profit (or reserves) refers to the surplus appropriated to the company from the previous year.

This figure is the sum of total assets less total liabilities. It must match (or balanced with) the figure for the firm's equity.

Long-term liabilities (or loan capital) are the debts owed by a firm, repayable after 12 months from the balance sheet date. Examples include mortgages and debentures (see Unit 3.1) to buy the premises and the outstanding bank loans (which may have been used to purchase the machinery and equipment).

This is the sum of fixed and current assets minus the value of current liabilities.

Net current assets, also known as *working capital*, is calculated as the difference between a firm's current assets and its current liabilities.

Current liabilities are debts that the business must pay to its creditors within 12 months of the balance sheet date, e.g. money owed to trade creditors (suppliers of food and drinks), to the bank for overdrafts (short-term borrowing), corporate tax owed to the government, and dividends owed to the company's shareholders.

Fixed assets are items owned by the business that are not intended for resale within the next 12 months but are used to generate output and sales, e.g. the physical restaurants (premises), equipment, tables, chairs, drinks machines, fridges, cash registers, and air conditioning.